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C O N F I D E N T I A L LIMA 001659

SIPDIS

E.O. 12958: DECL: 10/14/2018
TAGS: PGOV PREL PINR PE
SUBJECT: PERU CABINET SHUFFLE: LESS THAN A CLEAN BREAK

REF: A. LIMA 1653
 1B. LIMA 1651
 1C. LIMA 1646
 1D. LIMA 1639

Classified By: Ambassador P. Michael McKinley for
reasons 1.4 (b) and (d).

11. (C) Summary: President Garcia swore in a reconstituted cabinet on October 14, in which six new cabinet members were installed while ten Ministers from the old government were re-appointed, including in Foreign Affairs, Defense, Finance and Foreign Commerce. Apparently selected to lend an "apolitical" image to the new administration, the new ministers are a largely technocratic group with little political heft. Five cabinet ministers are women, and only two are APRA party members (Jorge Villasante in Labor, and Enrique Cornejo in Housing -- both carry-overs). Brief discussions of the new cabinet ministers appear below. More detailed biographies will follow septel. End Summary.

12. (C) Following the recent corruption scandal (refs B and D), President Garcia swore in a reconstituted cabinet on October 14, headed by the new Premier Yehude Simon (ref A). The President charged the new cabinet with three overarching goals: to defend the country against the global financial crisis, to fight corruption and to eradicate poverty through better distribution of the nation's mining wealth. Public reaction to the cabinet shuffle has been cautiously optimistic, and some commentators speculate it may be better equipped to address and potentially avert social unrest than its predecessor. At the same time, the cabinet shuffle was less sweeping than expected, and the new group is unlikely to be able to impose a significant change in the GOP's policy direction. It is too early to gauge whether the changes will succeed in bolstering Garcia's sagging approval ratings and blunt charges from the left that he moved too far to the right.

13. (C) New Faces in the Cabinet

-- Carlos LEYTON Munoz, 56, replaces Ismael BENAVIDES Ferreyros as Minister of Agriculture. A close friend of Simon and an ally in representing the interests of regions outside of Lima, Leyton hails from Arequipa, and served as vice president of that region since December 2006. He is a sociologist by profession (San Agustin University) and an expert in agrarian development and decentralization policies

in the Andes. As a representative from the informal capital of Peru's southern Sierra, Leyton gives the government a direct connection to the country's most politically sensitive and economically depressed areas.

-- Pedro SANCHEZ GAMARRA, 49, replaces Juan VALDIVIA Romero as Minister of Energy and Mines. A former World Bank official on energy matters for South Asia, Sanchez is an experienced hand in the energy sector. He holds an undergraduate degree in Electrical Engineering from Peru's San Antonio University and a Masters in International Policy and Practice from George Washington University in the U.S. Sanchez Gamarra has held a number of senior positions in some of Peru's electrical companies, including at Electro Peru, Electro Lima, EDEGEL, and Electro Sur Este. Sanchez was investigated by the last congress for possible corruption in a Banco Latino bailout during the Fujimori regime, though none of the charges stuck.

-- Remegio HERNANI Meloni, 60, replaces Luis ALVA Castro as Interior Minister. A retired police general, Hernani (nicknamed "Chalo") hails from the investigative side of the PNP where he was formerly chief (2001-2002) of the Criminal Investigation Directorate (DIRINCRI). He was posted to Ayacucho for five years in the Anti-terrorist Directorate (Dinacote) during the worst years of the Sendero Luminoso violence. He achieved national prominence by resolving several high profile kidnapping cases. His last job after his retirement in 2002 was head of security for the General Accounting Office. He is known to be hyperactive and detail-oriented.

-- Carmen VILDOSO Chirinos, 52, replaces Susana PINILLA Cisneros as Minister for Women's Issues and Social Development. She is a sociologist who served as vice minister of labor under the Toledo administration. She was also a technical coordinator for the Natioinal Accords.

-- Elena CONTERNO, 38, Martinelli replaces Rafael REY Rey as Minister of Production. She holds a Masters Degree in Public Administration from Harvard University. She has worked with USAID's implementing partner organizations in promoting decentralization, and was reportedly recommended for her position by current Minister of Transportation Veronica Zavala.

-- Oscar UGARTE Ubillus, 63, replaces Hernan GARRIDO-LECCA Montanez as Minister of Health. A close political ally of PM Simon, Ugarte briefly occupied the Secretary General position in Simon's Humanist party (PMHP). He also served as deputy health minister under former President Toledo, where he was criticized by some for refusing to distribute birth control pills in government clinics.

¶4. (U) Below is the list of cabinet ministers who retained their previous positions and portfolios.

Foreign Affairs: Jose Antonio GARCIA Belaunde
Defense: Antero FLORES-ARAOZ Esparza
Economy and Finance: Luis VALDIVIESO
Environment: Antonio BRACK Egg
Foreign Commerce and Tourism: Mercedes ARAOZ
Education: Jose Antonio CHANG Escobedo
Justice: Rosario FERNANDEZ
Transportation and Communications: Veronica ZAVALA Lombardi
Housing and Construction: Enrique CORNEJO Ramirez
Labor: Jorge VILLASANTE Aranibar (Note: He replaced Mario PASCO Cosmopolis on October 4 - reftel C.)

Comment: Challenges Ahead

¶5. (C) The new politically independent PM and more "technocratic" cabinet may provide some respite to the Garcia administration. (Some observers claimed APRA party leaders had no say over any of the new cabinet choices.) A snapshot survey indicated that 51 percent of Peruvians believed the changes would improve the government's performance. In a televised post-swearin-in interview, Simon said that he would launch an anti-corruption plan and that more cabinet

changes could be in the offing after the APEC summit is concluded. He also said that he considered a recession to be a greater threat than inflation, and that he would seek to reverse cuts made to the defense budget. End Comment.

MCKINLEY